

MOAB COMMUNITY CHARTER SCHOOL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

MOAB COMMUNITY CHARTER SCHOOL
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SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

CRAIG G. SMUIN, C.P.A.
R. KIRT RICH, C.P.A.
GREG MARSING, C.P.A.
DOUGLAS RASMUSSEN, C.P.A.

MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Moab Community Charter School
Moab, Utah 84532

We have audited the accompanying statement of financial position of Moab Community Charter School (a nonprofit organization) as of June 30, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Moab Community Charter School as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 22, 2005, on our consideration of Moab Community Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Sam, Rich & Marsing".

Price, Utah

December 22, 2005

MOAB COMMUNITY CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2005

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 68,078	\$ (17,458)
Grants/other receivables	2,747	17,458
	<hr/>	<hr/>
Total current assets	\$ 70,825	\$...
	<hr/>	<hr/>
FIXED ASSETS: (Note 3)		
Equipment and furniture	\$ 3,797	
Leasehold improvements	90,000	
Less: accumulated depreciation	(11,634)	
	<hr/>	<hr/>
Net fixed assets	\$ 82,163	\$...
	<hr/>	<hr/>
Total assets	\$ 152,988	\$...
	<hr/>	<hr/>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 6,525	
Accrued liabilities	17,956	
Current portion long term debt	1,846	
	<hr/>	<hr/>
Total current liabilities	\$ 26,327	\$...
	<hr/>	<hr/>
LONG TERM LIABILITIES:		
Loans Payable (less current portion)	\$ 83,624	
	<hr/>	<hr/>
Total long term liabilities	\$ 83,624	\$...
	<hr/>	<hr/>
Total liabilities	\$ 109,951	\$...
	<hr/>	<hr/>
NET ASSETS:		
Unrestricted	\$ 43,037	
	<hr/>	<hr/>
Total net assets	\$ 43,037	\$...
	<hr/>	<hr/>
Total liabilities and net assets	\$ 152,988	\$...
	<hr/>	<hr/>

"The accompanying notes are an integral part of these financial statements."

MOAB COMMUNITY CHARTER SCHOOL
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
SUPPORT AND REVENUE:			
Support:			
Grant support	\$ 139,790	\$ 345,738	\$ 485,528
Tuition	32,012		32,012
Other	11,530		11,530
Total support	\$ 183,332	\$ 345,738	\$ 529,070
Revenue:			
Interest income	\$ 5		\$ 5
Total revenue	\$ 5	\$...	\$ 5
Total support and revenue	\$ 183,337	\$ 345,738	\$ 529,075
EXPENSES:			
Program services:			
Education services	\$ 143,025	\$ 345,738	\$ 488,763
Total expenses	\$ 143,025	\$ 345,738	\$ 488,763
Change in net assets	\$ 40,312		\$ 40,312
Net assets, July 1, 2004			
Capital contribution	2,725		2,725
Net assets, June 30, 2005	\$ 43,037	\$...	\$ 43,037

"The accompanying notes are an integral part of these financial statements."

**MOAB COMMUNITY CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2005**

	EDUCATION SERVICES	TOTAL PROGRAM EXPENDITURES
FUNCTIONAL EXPENSES:		
Payroll:		
Salaries and wages	\$ 245,973	\$ 245,973
Employee benefits	42,021	42,021
Total payroll	\$ 287,994	\$ 287,994
Other:		
Contracted services	\$ 74,777	\$ 74,777
Travel/Transportation	1,123	1,123
Telephone	1,738	1,738
Space costs/rent	36,000	36,000
Utilities	3,981	3,981
Supplies	40,024	40,024
Meetings/seminars	7,996	7,996
Repairs and maintenance	16,239	16,239
Accounting	2,479	2,479
Insurance	2,999	2,999
Textbooks	3,664	3,664
Miscellaneous	4,490	4,490
Total other expenses	\$ 195,510	\$ 195,510
Allocation of depreciation expense	\$ 5,259	\$ 5,259
Total other and depreciation expense	\$ 200,769	\$ 200,769
Total functional expenses	\$ 488,763	\$ 488,763

"The accompanying notes are an integral part of these financial statements."

MOAB COMMUNITY CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$	40,312
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	\$ 5,259	
(Increase)/Decrease in accounts receivable	(20,205)	
Increase/(Decrease) in accounts payable	6,525	
Increase/(Decrease) in accrued liabilities	17,956	
Net cash provided by operating activities		9,535

INVESTING ACTIVITIES:

Capital contribution	\$ 8,262	
Purchases of fixed assets	(3,797)	
Net cash provided by investing activities		4,465

FINANCING ACTIVITIES:

Repayment of notes payable (principal)	\$ (3,692)	
Net cash provided by financing activities		(3,692)
Net increase in cash and cash equivalents	\$	50,620
Cash and cash equivalents - July 1, 2004		
Cash and cash equivalents - June 30, 2005	\$	50,620

The accompanying notes are an integral part of these financial statements."

**MOAB COMMUNITY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

1. BACKGROUND

Moab Community Charter School was organized August 23, 2004. The purposes for which the Organization was organized are as follows:

- A. To provide educational training and experiences for children as an alternative source of public education.
- B. To contract with the State of Utah, or its agencies or any other body and federal agencies, for the funding and education of the students, and for the administration of the programs and facilities established by the Organization.

2. BASIS OF ACCOUNTING

- A. Moab Community Charter School prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Contributions are recorded when received. All contributions are available for unrestricted use unless specifically restricted by the donor.
- B. Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the organization and/or the passage of time.
- C. The organization is a not-for-profit Utah Corporation and is in the process of applying for an exempt organization for federal income tax purposes under section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for federal income taxes have been made.

3. FIXED ASSETS

Fixed assets are recorded at cost or at estimated fair value at the date of gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

3. **FIXED ASSETS (Continued)**

FIXED ASSETS, AT COST			
	Balance July 1, 2004	Additions	Adjustments and Retirements
			Balance June 30, 2005
Furniture, Fixtures, Equip		\$ 3,797	\$ 3,797
Buildings: Modulares			90,000
Total fixed assets	\$...	\$ 3,797	\$ 93,797

ACCUMULATED DEPRECIATION			
	Balance July 1, 2004	Depreciation	Adjustments and Retirements
			Balance June 30, 2005
Furniture, Fixtures, Equip		\$ 759	\$ 759
Buildings: Modulares		4,500	\$ 6,375
Total accumulated depreciation	\$...	\$ 5,259	\$ 11,634

Provision for depreciation of property and equipment is computed on the straight-line method. Depreciation is based on estimated useful lives of individual units or classes of property. The cost of maintenance and repairs of properties and renewals, which do not involve substantial betterment, are charged to expense as incurred. When an item of property is replaced and a substantial betterment results, the cost of the replaced property is retired and the cost of the new property is capitalized. At the time properties are retired, or otherwise disposed of, the cost of the asset and related accumulated depreciation are removed from the accounts. Gains and losses therefrom are reflected in the income statement.

Leasehold improvements are depreciated over the term of the lease or the straight-line method whichever is less.

The Charter School secured modulares, from a private school, at the beginning of the school year. These modulares were used to house operations of the Charter School. There was also debt attached to the property, which was assumed by the Charter School. The value of the modulares was unknown at the time of the transfer, but the total purchase price, and accumulated depreciation was known. We have valued the modulares based on this information.

4. **DEPOSITS**

Deposits are carried at cost plus accrued interest. The carrying amount of deposits is listed on the balance sheet as cash. The Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

	Carrying Amount	Bank Balance
Insured (NCUA)	\$ 50,620	\$ 50,917

5. **PENSION PLAN**

Moab Community Charter School does not participate in any pension plan or offer any compensation to its employees for these amounts.

6. **COMPENSATED ABSENCES**

Compensated absences have not been figured because Moab Community Charter School does not provide a plan to compensate employees for these amounts.

7. **NET ASSET BALANCES**

UNRESTRICTED –

The unrestricted net asset account pertains primarily to amounts that are not designated for specific purposes.

TEMPORARILY RESTRICTED –

The restricted net asset account pertains to fixed asset purchases from temporarily restricted funds that are not fully depreciated.

8. **USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires the Board to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

9. **NOTES PAYABLE**

Moab Community Charter School's long-term debt consists of the following:

A promissory note payable to John Hancock Charter School was entered into in July 2003 for the purchase of two modulars. The Charter School assumed the debt as of July 1, 2004. The original amount of the loan was \$60,000. The monthly payments are \$359.73. The payments cover a ten (10) year period of time; the final payment of \$51,106.45 is due May 1, 2013. If the note is paid previous to the May 2013 date, the principal amount due will be reduced by \$5,000. The note payable bears an interest rate of 6%.

A secured promissory note payable to Frederick "Rico" Baker was entered into on September 16, 2003, for continuing operations. The two modulars are used as collateral for the loan. The Charter School assumed the debt as of July 1, 2004. The original amount of the loan was \$20,000. The monthly payments are \$340. The payments cover a 72-month payment schedule, at which time the entire balance, both principal and interest shall immediately come due and payable. The note payable bears an interest rate of 5%.

A secured promissory note payable to Stephen G. Sullivan was entered into on September 13, 2003 for continuing operations. The two modulars are used as collateral for the loan. The Charter School assumed the debt as of July 1, 2004. The original amount of the loan was \$10,000. The monthly payments are interest only payments for a period of three (3) years at which time the entire balance, both principal and interest shall immediately come due and payable. The note payable bears an interest rate of 9%.

	Balance June 30, 2004	Additions, Transfers and Assumed Loans	Payments and Reductions	Balance June 30, 2005	Current Portion
John Hancock Charter School		\$ 59,880	\$ (680)	\$ 59,200	\$ 786
Frederick "Rico" Baker		19,301	(3,011)	16,290	1,060
Stephen G. Sullivan		9,980		9,980	
	<u>\$...</u>	<u>\$ 89,161</u>	<u>\$ (3,691)</u>	<u>\$ 85,470</u>	<u>\$ 1,846</u>

9. **NOTES PAYABLE (Continued)**

Future scheduled maturities of long-term debt are as follows:

	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance</u>
				\$ 85,470
June 30, 2006	\$ 9,420	\$ 1,846	\$ (7,574)	83,624
June 30, 2007	18,328	12,804	(5,524)	70,820
June 30, 2008	8,400	4,335	(4,065)	66,485
June 30, 2009	8,400	4,632	(3,768)	61,853
June 30, 2010	8,060	4,613	(3,447)	57,240
Thereafter	<u>59,746</u>	<u>57,240</u>	<u>(2,506)</u>	
	<u>\$ 112,354</u>	<u>\$ 85,470</u>	<u>\$ (26,884)</u>	

10. **DONATED SERVICES AND MATERIALS**

During the year ending June 30, 2005, the value of contributed services meeting the requirements for recognition of such volunteer effort under SAS No. 116 have not been satisfied, therefore, no amounts have been recognized in the accompanying financial statements. Donated materials were not material and have not been recorded in the financial statements.

SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

CRAIG G. SMUIN, C.P.A.
R. KIRT RICH, C.P.A.
GREG MARSING, C.P.A.
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MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Moab Community Charter School
Moab, Utah 84532

RE: Report on Compliance and on Internal
Control Over Financial Reporting Based
on an Audit of Financial Statements Per-
formed in Accordance With Government
Auditing Standards

We have audited the financial statements of Moab Community Charter School (a nonprofit organization) as of and for the year ended June 30, 2005, and have issued our report thereon dated December 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. (However, we noted other matters involving the internal control over financial reporting, which we have reported to the Board of Directors of Moab Community Charter School in a separate letter dated December 22, 2005).

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Laurie, Rich & Marsing".

Price, Utah

December 22, 2005

SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

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UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Moab Community Charter School
Moab, Utah 84532

Re: Report on State Legal Compliance –
Nonprofit Entity

We have audited the financial statements of Moab Community Charter School, a nonprofit organization, for the year ended June 30, 2005, and have issued our report thereon dated December 22, 2005. As part of our audit, we have audited Moab Community Charter School's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions applicable to its major State assistance program as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. Moab Community Charter School received the following major assistance program from the State of Utah:

Minimum School Program (State Office of Education)

Moab Community Charter School also received the following non-major state grant, which is not required to be audited for specific compliance requirements: (However, this program was subject to testwork as part of the audit of Moab Community Charter School's financial statements).

LIC (State Office of Education)

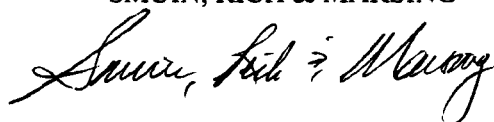
The management of Moab Community Charter School is responsible for its compliance with the compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Moab Community Charter School's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances on noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Moab Community Charter School complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance program for the year ended June 30, 2005.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Laurie Rich Marsing".

Price, Utah

December 22, 2005

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294 East 100 South

Price, Utah 84501

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DOUGLAS RASMUSSEN, C.P.A.

MEMBERS

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UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Members of the Board of Directors
Moab Community Charter School
Moab, Utah 84532

Ladies/Gentlemen:

The following comments and recommendations are a result of our review of the accounting procedures and internal controls in connection with our examination of the financial statements of Moab Community Charter School for the year ended June 30, 2005.

Since our review was made primarily to determine the scope of our auditing procedures and was not intended as a comprehensive study or evaluation of the systems and procedures, this memorandum should not be considered all-inclusive.

We welcome the opportunity to discuss any items mentioned in this memorandum or any other accounting or procedural questions.

Clients Preface to Management Responses

Moab Community School (MCS) has a new administration that is working exhaustively to establish a solid financial structure. We have inherited a legacy of less than ideal financial management that has been clearly pointed out in this audit and the State performance audit of March 2005. Major improvements have already been made, but there is more yet to be done. Below is a discussion of our progress and plans in the form of responses to specific recommendations as presented in the management letter.

INTERNAL CONTROLS

Bank Accounts and Bank Reconciliation's

During our review of the bank accounts and reconciliation's, we noted that not all of the bank accounts that were in the control of the Charter School had been recorded in the financial statements. Also, the bank accounts had not been reconciled in a timely manner and adequate supporting documentation for the bank reconciliation's was not available.

We recommend that the Charter School establish policies and procedures for those who will be involved with the financial statements concerning bank accounts and reconciliation's. All funds that are controlled and governed by the Charter School need to be accounted for by the organization and each of these accounts need to be reconciled on a regular basis. (usually monthly) Also, adequate documentation needs to be maintained to support the reconciliation process.

Clients Response

We are presently using QuickBooks Pro to manage our finances. There is presently one account that is funded by monthly allotments from the State of Utah with very small supplementation from fundraising events. Classes (program funding) have been assigned to income and expenses in anticipation of more sources, such as grants. There has been inconsistency in the assignment of these classes. While we have been reconciling the accounts monthly and documenting this with reconciliation reports, we have yet to reassign the revenues and expenses to proper classes. We anticipate doing this following completion of this audit report and after consultation with accountants and the State Charter Board.

Receivables and Cash Receipts

During our review of receivables and cash receipting, we noted that the Charter School is not properly accounting for revenue, according to School District accounting. The Charter School is required to keep revenue according to programs. Funds that are received should be coded to their proper program.

The Charter School needs to write a receipt for all funds collected, deposit those funds within a timely manner and classified to an appropriate revenue account. When establishing accounts receivable, the Charter School needs to record the collection of these funds to the accounts receivable account and not to the revenue accounts. Also, if an accounts receivable has not been established, the collection of these funds needs to be recorded in the revenue account, not to accounts receivable.

We recommend that the Charter School develop processes that ensure (1) all funds are receipted in proper sequence, that receipts include adequate information for date of collection, who the funds were received from, a description for what the funds have been received for (what program or programs) and proper amounts, (2) when funds are received, they are deposited within a timely manner, (3) proper recording of revenue when a receivable is established and proper recording of the funds when they are subsequently received.

Clients Response

The only revenue at present comes from the State allotment and payments by parents for student lunches. A lunch receivable account had not as yet been set up within QuickBooks. A manual system is in place to track what is owed and paid and receipts are being manually generated. We will consult with accountants regarding the setting up of the lunch account in QuickBooks. When grant funds become available, further changes in QuickBooks will be made.

Fixed Assets and Capitalization Policy

During our review of the fixed assets, we noted that the Charter School did not have an asset inventory list. The Charter School did not have a capitalization policy in affect. The Charter School realized that an asset inventory needed to be done, but had not accomplished this task.

We recommend the Charter School Board of Directors adopt a capitalization policy. This policy establishes at what amount an asset purchased will be recorded on the fixed asset list and depreciated. We further recommend that an asset inventory list be maintained that includes, (1) full description of the asset, (2) asset cost or donated fair market value at the time of donation, (3) date of purchase or donation date, (4) what funds were used to purchase the asset (local, state or federal) and what program, (5) location of asset and (6) asset condition. A physical inspection of the Charter Schools assets should be performed regularly (at least once a year) and the asset list should be updated to reflect changes regularly.

Clients Response

We have recently become aware of the need to have a capitalization policy and will establish this policy at the next Board of Directors meeting on January 11, 2006. We anticipate that fixed assets will be any asset worth over \$1,000. We presently have no items that qualify and do not anticipate the need to generate an asset list at this time. We also do not anticipate any purchases of items over \$1,000 in the near future.

Long Term Debt

During our review of the debt obligations of the Charter School, we noted that not all of the debt was recorded in the financial statements and the debt payments were not being recorded properly. Debt payments were not being allocated between principal and interest.

We recommend that the Charter School identify all debt that is an obligation to the School and ensure that these amounts are reflected in the financial statements. Adequate supporting documents should be readily available for inspection and an amortization schedule should be followed when payments are made to adequately allocate interest and principal amounts.

Clients Response

We have recently identified our long-term debts and filed the documents. Although the debt service expenses are listed in our QuickBooks reports, there are not documented amortization schedules. We will consult with the accountants regarding the establishment of these schedules.

Accounts Payable and Proper Documentation

During our review of cash disbursements and accounts payable, we noted that the Charter School has not established a purchasing policy. Verbal policies have been established and common sense practices have been performed, but a policy that dictates what will take place to ensure proper processes are performed before a service or supply is recognized as a liability of the School and subsequent payment is authorized to be issued has not been written.

Documentation for disbursements is not always available or adequate. Authorization for disbursements of funds is not always indicated or documented. Expenditures have not been recorded in proper classifications pertaining to programs. Most expenses have been recorded in one program category and not allocated according to available program revenue.

We recommend that the Charter School adopt a purchasing policy and follow it. The School needs to adopt procedures for obtaining and keeping adequate documentation for expenses. These items should be kept in a way that is conducive to finding and reviewing. Expenditures need to be coded to proper program accounts and only available funds should be used for a particular program.

Clients Response

A purchasing policy has been established as a part of our Policies and Procedures document. The policy is based on generally accepted policies and procedures followed by not-for-profit organizations. Final approval of the document is pending the completion of the discipline section. We anticipate final approval in one month. Meanwhile, we will begin following the policy immediately. A purchase order form has been designed in QuickBooks and will be used on all future purchases.

Budget Adoption and Submission

During our review of the budgeting process and submission to the State of Utah, we noted that the Charter School's Board of Directors had talked about and reviewed figures for submission of a budget, but a formal budget had not been submitted to the State of Utah. Records indicating that a budget had been proposed and reviewed were available for review, but no official document could be found.

We recommend that the Charter School's Board of Directors review and adopt a budget, indicated by board minutes, that is used in the accounting process. Budgets are required to be established and submitted for each fiscal year. These budgets are used to help the organization with fiscal responsibility and accountability.

Clients Response

As the new administration learned more about the inadequacies of the financial structure of Moab Community School, we became aware of the lack of the use of budgets. We have generated a budget report for the 2005-2006 fiscal year based on the original projections that were submitted to the State on improper forms and never resubmitted. We have also established a revised budget for the remainder of the year (January 1 to June 30, 2006). Both will be presented to the Board for approval at its next meeting on January 11, 2006. We will also be able to provide a revised/actual budget for July 1 to December 31, 2005.

Program Revenue and Expenditures

During our review of the proper coding of revenue and expenditures, we noted that the Charter School was not keeping track of transactions properly. Program revenues and corresponding expenses for these programs were not being recorded in the same program. Identifying expenses with program revenue was very difficult.

We recommend that the Charter School establish an accounting system that will identify programs where the revenues and expenses for these program revenues can be recorded properly. Certain revenues should only be spent for specific expenses and these are required to be identified in separate programs. These programs, once established, should be overseen by appropriate personnel and the Board of Directors. This will ensure that funds are being spent appropriately and documentation is available to review.

Clients Response


We have previously addressed the processes that we are implementing to correct the problems addressed for proper revenue and expenditure recognition in programs (classes). We are certain that we will establish an accounting system that will identify revenues and expenditures properly.

SUMMARY

We feel the issues mentioned above are some areas where Moab Community Charter School can make changes so as to further improve its internal control structure to safeguard the assets, check the accuracy and reliability of accounting data and promote operating efficiency.

Sincerely,

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Smuin, Rich & Marsing".

Price, Utah

January 5, 2006